

Message Text

LIMITED OFFICIAL USE

PAGE 01 GEORGE 01191 111823Z

51

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 INT-08 TRSE-00 OMB-01

XMB-07 CIEP-02 STR-08 L-03 H-03 USIE-00 CIAE-00

DODE-00 INR-10 NSAE-00 PA-04 RSC-01 PRS-01 SP-03

INRE-00 SSO-00 AID-20 ARAE-00 SS-20 NSC-07 NSCE-00

DRC-01 (ISO) W

----- 090601

O R 111805Z JUL 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 9980

INFO AMEMBASSY KINGSTON

AMEMBASSY BRIDGETOWN

AMEMBASSY PORT OF SPAIN

AMCONSUL PARAMARIBO

LIMITED OFFICIAL USE GEORGETOWN 1191

E.O. 11652: N/A

TAGS: EMIN, PFOR, GY

SUBJECT: BAUXITE-GOG TO IMPOSE NEW TAX ON REYNOLDS GUYANA
MINES, LTD.

REF: GEORGETOWN 1098

1. GOG NOTIFIED REYNOLDS JULY 10 THAT NEW TAX FORMULA
WILL APPLY TO COMPANY'S BAUXITE OPERATION AND WILL
QUOTE RELATE TO THE OPEN MARKET VALUE OF THE END
PRODUCT PROCESSED OUTSIDE OF GUYANA UNQUOTE. GOG
HAS CALLED FOR DISCUSSIONS BEGINNING JULY 29 WITH
REYNOLDS ON NEW TAX. LOCAL PRESS REPORTAGE JULY 11
CONTAINS USUAL INACCURACIES AND HYPERBOLE, AS NORMAL
WHEN REYNOLDS IS IN NEWS. FOR EXAMPLE, GOG-OWNED
PAPER (CHRONICLE) STATES THAT TAX WILL REAP ANNUAL
REVENUE OF \$30 MILLION GUYANA DOLLARS. REYNOLDS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 GEORGE 01191 111823Z

SALES IN 1973 AMOUNTED TO SLIGHTLY MORE THAN \$20

MILLION GUYANA DOLLARS.

COMMENT: DETAILS OF THIS NEW TAX SCHEME WILL BE CRUCIAL FACTOR IN REYNOLDS' CONTINUED OPERATION IN GUYANA. IF TAX IS TO BE RELATED TO SELLING PRICE OF ALUMINUM, AND BASED ON EQUIVALENT BAUXITE PRODUCED, AS IN JAMAICAN CASE, DEPENDING ON SCALE OF TAX REYNOLDS GUYANA MAY HAVE GOOD CASE FOR CONFISCATION THROUGH TAXATION. MOREOVER, ABOUT FIFTY PERCENT OF REYNOLDS GUYANA BAUXITE IS NOT RPT NOT METAL GRADE. IF, NEVERTHELESS, GOG TAXES REYNOLDS ON TOTAL BAUXITE

PRODUCED, ASSUMING ALL OF IT COULD BE PROCESSED INTO ALUMINUM, THIS WOULD BE INCONSISTENT WITH GOG STATED RATIONALE FOR NEW TAX. GOG CLAIMS TAX SHOULD BE BASED ON END PRODUCT BECAUSE REYNOLDS IS VERTICALLY INTEGRATED. YET, REYNOLDS CAN JUSTIFIABLY CLAIM THAT MORE THAN HALF OF THE EQUIVALENT BAUXITE (IN THE FORM OF CALCINED AND CHEMICAL GRADE) IT PRODUCES IN GUYANA IS SOLD OUTSIDE OF THE REYNOLDS OPERATION. MUCH OF IT IN FACT IS SOLD IN EUROPE. MANY QUESTIONS ABOUT NEW TAX REMAIN UNANSWERED, AND IT IS LIKELY THAT GOG DOES NOT YET KNOW HOW IT WILL APPLY TAX. UNDOUBTEDLY, PM BURNHAM AND OTHER GOG OFFICIALS WILL BE IN TOUCH WITH JAMAICAN COUNTERPARTS FOR ADVICE IF THEY HAVE NOT DONE SO ALREADY. AS FAR AS EMBASSY AWARE NEITHER PRESS NOR MINISTER OF ENERGY AND NATURAL RESOURCES (HUBERT JACK, WHO FORMALLY ANNOUNCED NEW TAX) HAVE INDICATED WHETHER TAX WILL BE RETROACTIVE TO JANUARY 1, 1974. THIS IS LIKELY TO BE THE CASE, HOWEVER. NEW TAX MOVE IS UNRELATED TO OTHER TAX MATTER DISCUSSED IN REFTTEL WHICH CONCERNS BACK TAXES, AND WHICH WILL PROBABLY BE ADJUDICATED.

FYI-LOCAL REYNOLDS MANAGER TOLD EMBASSY HE WILL TRY TO DELAY START OF DISCUSSIONS BEYOND JULY 29 DATE, NO DOUBT TO FORMULATE STRATEGY AND MAKE STRONGER CASE. MATTHEWS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BAUXITE, INCOME TAXES, AD VALOREM DUTIES, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GEORGE01191
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740185-0799
From: GEORGETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740758/aaaabxxg.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: GEORGETOWN 1098
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2002 by WorrelSW>; APPROVED <19 FEB 2003 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BAUXITE-GOG TO IMPOSE NEW TAX ON REYNOLDS GUYANA MINES, LTD.
TAGS: EMIN, PFOR, GY, REYNOLDS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005